

PRESCRIPTIVE MODEL FOR THE STRATEGIC DECISION-MAKING PROCESSES FROM THE ROMANIAN ENTERPRISES

Răzvan ȘTEFĂNESCU

*Department of Finance and Economic Efficiency
 University „Dunarea de Jos” of Galați
 e-mail: rzvn_stefanescu@yahoo.com*

This paper proposes a prescriptive model for the strategic decision-making from the Romanian enterprises. Within the paper there will be described the phases implied in solving a strategic problem. Finally, there will be presented a strategic decision from a Romanian enterprise, elaborated on the base of the model.

Keywords: rational approach of decision-making, Romanian enterprises, strategy, prescriptive model

1. Introduction

In the rational approach there were developed a lot of prescriptive models for the decision-making [1,2,3], but none of them was considered infallible. In fact, because of the great variety of conditions in which the strategic decision-making takes place the elaboration of a universal prescriptive model becomes impossible.

In Romania, the business environment has some particularities, specific to a country where the transition to the market economy was quite recently finished and they have a significant impact on the decision-making. From an inquiry realised in 2004 on a group of 50 Romanian executives there were revealed some of the conditions in which the decision-making of the Romanian companies takes place:

- difficulty of getting information on the decisional situations, that leads to a high degree of uncertainty;
- frequent changes from the business environment, that often surprise the companies unprepared;
- time pressure that often comes into the decisions elaboration;
- various exposures to the risks, for which the companies do not always have effective techniques for treatment[4].

In this article it is presented a model of decision-making adapted to the conditions of the business environment from Romania. The model was tested in real conditions, for the elaboration of a strategic decision at a company in Romania.

2. General considerations on the model

In relation with the aspects revealed during the inquiry on the 50 executives, there were established some requirements that should be respected by a strategic decision-making, in order to be effective:

- information collecting activity orientation towards the really important aspects of the decisional situation, that supposes previous identification of some elements specific to the company environment, that could influence significantly the problem solving;
- establishment of some spare decisional alternatives, applicable in the situation of some significant changes of the decisional context or in the case of failure regarding the adopted solution to solve the strategic decisional problem;
- judicious programming of the decision-making phases in relation with the available period of time and with the implied operations complexity;
- including in the strategic decision elaboration a process of risks management, linked to the decisional situation, in order to allow major exposures treatment and identification.

These requirements were taken into account with the purpose of the elaboration of a prescriptive model for the strategic decision-making from the Romanian enterprises, having seven phases:

- symptoms identification of a decisional situation of major importance;
- decisional situation characterisation;
- analyse of the strategic decisional problem circumstances;

- solutions choice for the strategic decisional objectives;
- solutions establishment for the tactic decisional objectives;
- choosing the best strategic alternative;
- preferred solution implementation.

This model proposes a reversible decision-making process, able to allow in any moment the return to previous stages, in the case of new information appearance regarding the decisional situation. The model has also the purpose of feed-back, in order to facilitate the efficient appliance of some correction measures in the phase of preferred solution implementation.

1. Symptoms identification for a decisional situation of major importance

This phase is initiated when one or many managers discover some aspects of the internal or external firm's environment, which could signify manifestations of an important decisional situation. Such symptoms could be signs of some threats or opportunities. The managers who detected the symptoms should appreciate their size based on the data they have. If they consider these symptoms are signs of some threats or opportunities that are important for the firm, they will announce the executives, starting in this way the second phase of the decision-making process.

2. Decisional situation characterisation

This phase has the purpose to evaluate some essential aspects of the decisional situation, in function of it the subsequent unfolding of the decision-making process will be organized. The operations used in order to characterize the decisional situation are grouped in three stages:

1. decisional problem nature establishment;
2. decisional problem solving implications analyse;
3. time allotment for the subsequent phases of the decision-making process.

1. In the stage "**decisional problem nature establishment**" there is indicated the participation of executives together with the managers who identified the decisional situation symptoms. The decisional problem nature that the company faces with will be evaluated by the threats and

opportunities supposed by it. The stage begins with defining the threats and opportunities of the decisional situation considering some essential elements of these causes, modalities of manifestation, potential effects and the firm reaction possibilities. These elements will be identified by the symptoms analyse from the previous phase. As information sources there will be used the data that led to symptoms tracing out and other available data regarding the firm situation. In the analyse of the symptoms that could represent signs of threats or opportunities there are followed the operations:

- there are identified the influence factors, trying to foresee their future evolution;
- there is estimated the proportion of the future potential effects of the identified factors, establishing the opportunities or threats importance;
- there are identified the time periods when there must be counteracted the threats or there must be fructified the opportunities;
- there are established the possibilities of the firm reaction in order to counteract the threats or in order to fructify the opportunities.

After analysing the identified symptoms it comes out that some of them don't correspond to some important opportunities or threats, so it was considered in the previous phase. In such situations the executives must decide if there will be applied or not the following phases of the decision-making process for these threats and opportunities.

2. The stage "**decisional problem solving implications analyse**", developed with the coordination of the company executives, begins with identifying the ways of decisional problem solving, based on two aspects approached in the previous stage:

- possibilities of the company reaction to the threats and opportunities associated to the decisional problem;
- interactions between these threats and opportunities.

Each way of decisional problem solving will represent a mix of the modalities used to counteract the threats and to fructify the opportunities. In this mix there must be also approached the relations between the elements of

the decisional problem that make some reaction possibilities to exclude each other or that more threats or opportunities could be solved by the same action way. Each identified way of decisional problem solving must be evaluated by the following operations:

- there are established the company activity fields that could be affected by the implementation of the action way (to this operation it is indicated the participation of some representatives of the main company activity fields);
- there are identified the composing parts of the company external environment that could influence the implementation in a significant way;
- there are identified the exposures to the risks that will be generated by the implementation of the action way;
- it is estimated the implementation duration;
- it is appreciated the viability of the way of decisional problem solving considering the constraints that exist in the activity fields that will be affected by the implementation (however, it will be also taken into consideration the possibility of surpassing these constraints).

3. In the stage **“time allotment for the subsequent phases of the decision-making process”** it is necessary the participation of the company executives and it begins with establishing the period of time for the decision implementation, based on two aspects that were approached in the previous stages:

- periods of time when there must be counteracted the threats and there must be fructified the opportunities of the decisional problem;
- durations of implementation of the solving ways of decisional problems.

Obviously, it is possible that the estimations realised in the previous stages regarding these elements are not characterised by a very high accuracy. In these conditions it is indicated that in the allotted period for the implementation to be also included some reserves of time associated to the unforeseen situations.

After establishing the period of time for the decision implementation it is possible to establish

the periods of time available for the decision substantiation, beginning from the premise that the start of the decision implementation phase will coincide with the end of the decision adoption phase. Thus it may be established the lapse of time in order to include the four phases of the decision substantiation: strategic decisional problem circumstances analyse; solution choice for the strategic decisional objectives; solutions establishment for the tactic decisional objectives and strategic decision adoption.

For the assignment of the time periods corresponding to the four phases there must be taken into consideration some of their particularities. Thus, the solutions choice for the strategic decisional objectives and the strategic decision adoption do not need, usually, too big periods of time. In exchange, the strategic decisional problem circumstances analyse or solutions establishment for the tactic decisional objectives may suppose the collection of a considerable quantity of information and laborious calculus effectuation – operations that consume frequently a lot of time.

- **Analyse of the strategic decisional problem circumstances**

Based on the study of some aspects of the company internal and external environment, this phase has the purpose to evaluate the conditions in which there must be solved the strategic decisional problem. The analyse of an element from the company external environment is directed over the way in which it could intervene in the whole activity of the company, in the implementation of decisional problem solving ways or in the treatment of the exposures to the identified risks.

In the analyse of an element from the internal environment of the company there will be approached with priority three aspects:

- changes imposed by the application of the decisional problem solving ways;
- possibilities of identified risks exposures treatment;
- future evolutions if there is not operated any change.

Between the elements from the internal or external environment of the firm – subject to analyse some interactions may exist, able to induce complexity for the operations of this phase. In this situation, it is indicated the cooperation between the teams that analyse these aspects, with the coordination of the firm executives.

Generally, when analysing the circumstances of the decisional problem the decision-makers have at their disposal a much bigger quantity of information than in the previous phases. From this reason, it is possible that during the analyse to be redefined some threats or opportunities of the decisional problem or even to be identified some new threats or opportunities. Moreover, new ways of problem solving, new constraints or new risk exposures may be pointed out. It is indicated that for these new elements to be resumed the operations of the previous phase.

- **Solutions choice for the strategic decisional objectives**

This phase, that has the object to outline the action directions of the future decisional alternatives, develops in two stages:

1. strategic decisional objectives formulation;
2. establishment of solutions assembly for the strategic decisional objectives.

1. In the stage “**strategic decisional objectives formulation**”, starting from the purpose of counteracting the threats and fructifying the opportunities, the executives must establish the strategic objectives that should be fulfilled by the decision implementation. It is indicated to identify which from these objectives are complementary or in competition, based on the relations between the threats and the opportunities of the decisional problem. Moreover, for each decisional objectif there must be established both the importance degree and an acceptable minimum level that should be reached by the decisional alternatives.

2. In the stage “**establishment of solutions assembly for the strategic decisional objectives**” there are identified, based on the information obtained in the previous phase, the ways of strategic decisional problem solving. Depending on the decisional problem characteristics, these solutions may result from

some routine reasonings or, on the contrary, could have a new character, situation in which it is indicated the use of some creativity stimulation techniques. Each solution will have to assure at least the minimum acceptable levels reach, that were established in the previous stage and, moreover, it does not have to encroach upon the identified decisional constraints (however, in special situations some constraints may be surpassed).

- **Solutions establishment for the tactic decisional objectives**

This phase, developed with the purpose of establishing the concrete modalities of solutions implementation for the strategic decisional objectives, includes three stages:

1. tactic decisional objectives identification;
2. establishment of the feasible solutions for the tactic objectives;
3. choice of the solutions for the tactic decisional problems.

1. In the stage “**tactic decisional objectives identification**” it is indicated the participation of some representatives of its main activity fields, besides the company executives. The tactic decisional objectives reflect the changes that should bring, in each activity field, the implementation of the tactic decisional objectives fulfilment solutions. They are established on the base of some elements from the previous phases:

- possible implications of the ways of the strategic decisional problem solving;
- information regarding the external environment and the main company activity fields.

It is indicated to establish limit terms for the tactic objectives accomplishment, depending on the available period of time for the decision implementation. Moreover, it is recommended for each tactic decisional objective to associate an acceptable minimum level to reach during the decision implementation.

2. For the stage “**establishment of the feasible solutions for the tactic objectives**” it is recommended to set up, for each activity field, a team having the task to elaborate the solutions for the tactic objectives. The identification of these

solutions is based on the information resulted in the phase of decisional problem circumstances analyse. An important aspect of this stage is represented by the decisional constraints, leading to unfeasible solutions exclusion. Besides the ones identified in the previous phases others may be noticed during this stage because the application of one solution in an activity field sometimes generates constraints in other activity fields. From this reason it is indicated to organize a permanent communication between the teams having as task the identification of solutions for the tactic objectives.

3. The **“choice of the solutions for the tactic decisional problems”**. A tactic decisional problem issues when for the same tactic objective there were identified more feasible solutions. In this case the optimum solution must be established, by some decisional criteria, in relation with the tactic objectives particularities. Sometimes, solving the tactic decisional problems has implications in more company activity fields, imposing the coordination by the company executives of the teams having as task the optimum solutions identification.

- **Choosing the best strategic alternative**

This phase has the purpose to adopt the decisional alternative to be implemented and it includes two stages:

1. establishment of the decisional alternatives assembly;
2. identification of the optimum decisional alternative.

1. In the stage **“establishment of the decisional alternatives assembly”** it is recommended the participation, together with the company executives, of the managers with responsibilities in a possible application of the proposed solutions. The elements of the decisional alternatives assembly are established by the association to the formulated solutions for the strategic decisional objectives the ones chosen for the tactic decisional objectives. For the elaboration of a decisional alternative there must be approached four aspects: implementation operations planning, associated spare alternatives, possible results and the risk exposures.

2. For the stage **“identification of the optimum decisional alternative”** it is indicated the participation of the company executives and of some representatives of the main activity fields. The method of choosing the optimum alternative is established in relation with the strategic decisional objectives and with the uncertainty degree regarding the possible results.

- **Preferred solution implementation**

This phase consists in putting into practice the decisional alternative adopted in the previous phase. Having this purpose, the executives will establish the responsibilities for all the operations, in the same time conceiving a system of rewards and penalties for the implied staff.

If the adopted alternative is characterised by significant exposures it is indicated the establishment of an implied risks management system. Moreover, the decision putting into practice must be continuously supervised, thus facilitating the feed-back.

3. Conclusions

In this article it was presented a normative model for the strategic decisional processes from the Romanian enterprises. However, there is no certainty regarding the qualities of a normative model if it was not applied in practice. For this model the test was done in a strategic decision from a Romanian enterprise, grounded in the second half of the year 2003 and implemented during the year 2004. The enterprise was set up in the year 2002, with foreign capital, having as object of activity the production of exhaust systems in Lohn system. During the year 2003 there were identified signs that could unleash a strategic decisional process, materialised in financial losses and in proposals of partnership from some domestic merchants of exhaust systems.

In the first phase these elements were evaluated, considering they could be symptoms of an important decisional situation. As a consequence, the next step is the phase of decisional situation characterisation when it was revealed a threat given by the enterprise vulnerability towards the external demand fluctuations and it was also

revealed an opportunity consisting in the possibility of penetrating the Romanian market of exhaust systems. There was found a common solving for these elements: the orientation towards the Romanian market of exhaust systems. In the phase of strategic decisional problem circumstances analyse there were approached components of the enterprise internal and external environment implied in the strategic decisional problem solving, outlining the solution of increasing the production capacity with the purpose of orientation towards the domestic market. In the phase of choosing the solutions for the strategic decisional objectives there are two alternatives: the first one consists in maintaining the present policy, the second one is represented by the increase of production capacity aiming the penetration in the domestic market. In the phase of establishment the solutions for the tactic decisional objectives there were identified the modalities used to put into practice the alternative of increasing the production capacity: acquisitions of machines, employment of personnel, setting up an enterprise outlet, getting financial resources a.s.o. In the phase of adopting the strategic decision there were incorporated the solutions for the tactic objectives of the ways of strategic

problem solving and it is chosen, by specific techniques to the investment decisions, the alternative of increasing the production capacity, with the purpose of orientation towards the internal market. In the year 2004 it followed the phase of decision implementation, being noticed an improvement of the financial performances, this fact proving that, although it is perfectable, the model may be applied in the strategic decisional processes from the Romanian enterprises.

References

1. Drucker P.F. (1985), *The Practice of Management*, Pan Books, London;
2. Mintzberg H., Raisinghani D. Théorêt A. (1976) *The structure of "unstructured" decision process*, Administrative Science Quaterly;
3. Simon H. A. (2004), *Comportamentul administrativ: studiu asupra proceselor de luare a deciziilor in structurile administrative*, Editura Stiinta, Chisinau;
4. Ștefănescu R. (2004), *Perspectives on Decision - making among the Romanian Managers*, Analele Universității "Dunărea de Jos" din Galați